



ARNOTOPCO

ELEVENTH BUSINESS RESCUE STATUS REPORT

Report in terms of Section 132(3) of the Companies Act 71 of 2008 (as amended)

Full Name: Arnot Opco Proprietary Limited (in business rescue)

Registration Number: 2019/072282/07

Registered Office: Farm Rietkuil 491 JS

Private Bag X3

Rietkuil

1097

BRP: Phahlani Mkhombo – Genesis Corporate Solutions

Address: GCS House, 61 Akkerboom Street,

Zwartkop Ext4, Centurion 0157

Date of Appointment: 10 October 2022



Contact us

011 513 3000
013 297 8008
talktous@arnotopco.com
www.arnot-opco.com



Head Office

Farm Rietkuil 491 JS
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Rietkuil
1097



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1. Introduction

- 1.1. This Report is prepared in terms of section 132(3) of the Companies Act, 2008 (as amended) ("the Companies Act") in respect of the business rescue proceedings of Arnot Opco Proprietary Limited (in business rescue) ("the Company").
- 1.2. The purpose of this Report is to update creditors and affected persons on the progress of the business rescue proceedings of the Company.
- 1.3. This Report is required if a company's business rescue proceedings have not been finalised within three months after the commencement of the business rescue proceedings.
- 1.4. The Report must be read together with other reports previously issued, in the business rescue proceedings of the Company, in terms of section 132(3) of the Act.

2. Business Rescue Update

- 2.1. Creditors will recall that Wescoal Mining Proprietary Limited (in business rescue) ("Wescoal") and Salungano Group Limited ("Salungano") launched an urgent court application ("the application"), as first and second applicants against the Company, Mr. Phahlani Lincoln Mkhombo ("Mkhombo") in his capacity as the business rescue practitioner of the Company ("the BRP"), Ndalamo Coal Proprietary Limited ("Ndalamo") and Mashwayi Projects Proprietary Limited ("Mashwayi") as the first, second, third and fourth respondents, respectively.
- 2.2. The application was heard on 21 September 2023 in the High Court of South Africa, Gauteng Division, Johannesburg. Judgement was handed down on 02 October 2023 by Judge Stuart Wilson, who heard the same application.
- 2.3. Following the judgement, the first and fourth respondents, respectively Mr. Mkhombo, Arnot and Mashwayi sought leave to appeal against the judgement of 02 October 2023, wherein the Judge concluded that a variant of the business rescue plan ("Plan")



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to rescue Arnot under the provision of Chapter 6 of the Companies Act 71 of 2008 (“the Act”) had been lawfully adopted at a meeting of Arnot’s creditors on 28 July 2023.

2.4. The application for leave to appeal was heard on 30 October 2023 in the High Court of South Africa, Gauteng Division, Johannesburg.

2.5. Judgment for leave to appeal and interim execution of the Plan was handed down on 31 October 2023 by Judge Stuart Wilson who heard the same application. The following order was granted:

- (a) The first, second and fourth respondents are granted leave to appeal to the Supreme Court of Appeal against the whole judgment and order dated 2 October 2023;
- (b) The third respondent’s application for interim execution is refused; and
- (c) The costs of the application for leave to appeal, and the application for interim execution, will be costs in the appeal.

3. Operational Update and Business Rescue Initiatives

3.1. Operational Update

3.1.1. The underground coal mining activities at 11 Shaft were halted in December 2023 following the suspension of mining services by the underground mining contractor on or about 11 December 2023 relating to contractual and other related issues. Prior to this suspension, the mine was continuing with the drilling and blasting activities at the south main panel development (“SMD”) as reported in the November 2023 business rescue status update report.

3.1.2. The suspension of mining services by the underground contractor follows *inter alia* a failed attempt by the parties to negotiate a new contract pursuant to the termination



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of the contract entered by the parties in November 2021, which contract was terminated by the contractor in March 2023 with a view to concluding an interim agreement with the mine. However, having considered and evaluated various factors since the commencement of the underground mining services, I issued a termination of services notice to the underground miner in December 2023, with a de-establishment date of 31 January 2024. The parties are still engaging through their legal representatives and further updates will be provided in due course.

- 3.1.3. Pursuant to the above, no underground tonnages were produced in December 2023, and only supply of coal through the rectification process was made to the Arnot power station, in terms of which 79 912 tonnes were delivered.
- 3.1.4. The termination of the underground mining services has necessitated the suspension and termination of some related services, and termination letters have been issued to the concerned service providers, and where services are retained, the mine has de-scoped such services significantly as a cost containment exercise while other strategic initiatives are being implemented.
- 3.1.5. Key stakeholders have been notified of this development, and to ensure the health and safety of the workings, as well as ensuring adequate care and maintenance during this interim period, the mine continues to monitor the workings through fire patrols and monitoring of pumping infrastructure as well as other support equipment. Further updates will be provided on the resumption of coal winning activities at 11 Shaft in due course.

3.2. Business Rescue Initiatives

3.2.1. Coal Rectification

The Company started with coal rectification supply in respect of the under-delivered tonnages through a qualifying alternative source in October 2023. During December 2023 *circa*.80 000 tonnes were delivered to Eskom from the rectification source, and



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the mine is in the process of implementing plant and logistics initiatives to ramp up rectification supply to approximately 100,000 tonnes for January 2024 and 150 000 tonnes for February 2024. Several potential rectification sources are being engaged and presented to Eskom for approval as the company continues to implement other strategic initiatives. The achievement of the above rectification tonnages, together with the cost containment initiatives will ensure that the mine is able to operate with minimal operational losses.

3.2.2. Third-Party Coal Processing

The Company has been engaging its coal handling and processing contractor to start up the DMS Wash Plant pursuant to the conclusion of a coal processing agreement with a third party i.e., toll washing agreement. The agreement contemplates a minimum of 50 000 tonnes a month of coal to be processed through the wash plant on a prepaid basis. First payment has been received and the plant processing contractor is preparing to start up the wash plant to kick start this initiative. The realised margin will be utilized to fund working capital requirements of the business. The current plant configuration can accommodate up to 90 000 tonnes a month.

3.2.3. Opencast Mining

There are mini/small opencast mining pits within the Arnot mining right that have been identified for mining through strategic partnerships with the surface right owners. Collectively, the pits comprise an estimated mineable reserve of between 5 million to 10 million tonnes. Management and I have been engaging the surface rights owners as a further means of generating additional income for Arnot. Other than the conclusion of commercial terms with the surface right owners, a key condition precedent for the mining of these pits was the granting of the Integrated Water Use License (“IWUL”) by the Department of Water and Sanitation (“DWS”). The IWUL was awarded in December 2023, however, with exclusions on some of the targeted mini



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pits. The Company has initiated a process of having the awarded IWUL amended to include the excluded pits prior to concluding terms with surface right owners.

The Company has signed the Mooifontein surface rights purchase agreement with Eskom in December 2023 on terms that allows the mine immediate access to the properties to commence with mining activities. Further updates will be provided to the Creditors in due course regarding progress on the Mooifontein opencast mining activities.

4. Closing Remarks

- 4.1. The BRP will keep creditors and other affected persons abreast of any developments, should a need arise.
- 4.2. The BRP undertakes to continue providing monthly reports to the Creditors, CIPC and other affected persons on the progress of the business rescue proceedings as required by Act.
- 4.3. All queries regarding the business rescue proceedings of the Company may be addressed to: ArnotOpcobr@gcs-sa.co.za. Creditors are reminded that all relevant notices and documents (including the Applications) are available online on this link: <https://arnot-opco.com/business-resscue/>

Yours faithfully,

Phahlani Mkhombo
Business Rescue Practitioner
Arnot Opco Proprietary Limited (in Business Rescue)
24 January 2024



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